FIGURE 1

SCHEMATIC FLOWCHART OF :
OPEN END MUTUAL FUND INDEX COMPUTER PROGRAM

GENERAL DATA PROCESSING COMPUTER SYSTEM: MEMORY STORAGE
CONTAINS MASTER DATABASE OF OPEN END MUTUAL FUND STATISTICS
PREFERRED SPECIFICATION OF COMPUTER:CDROM DRIVE, MONITOR
HARD DRIVE CONTAINING 420 MEGABYTES 8 MEGABYTES RAM, 486 CPU

— FIGURE 1A

ELIMINATE THOSE FUNDS IN MASTER DATABASE WHERE
FUNDS ARE MARKED "NOT AVAILABLE FOR PURCHASE".
PUT REMAINING FUNDS IN NEW DATABASE:**"DATABASE #1"**

—— FIGURE 1B

ELIMINATE ALL FUNDS IN DATABASE #1 WHERE
ASSET SIZE IS NOT EQUAL TO "USER
DEFINED" STORING REMAINING FUNDS IN NEW
DATABASE: **"DATABASE #2"**

— FIGURE 1C

SEARCH DATABASE "DATABASE #2" FOR THOSE
FUNDS WHERE CATEGORY OF INVESTMENT STYLE
="USER DEFINED" AND PLACE IN NEW
DATABASE: **"DATABASE #3"**

— FIGURE 1D

FIGURE 1F

FIGURE 1E

SEARCH DATABASE#3 AND SELECT
FUNDS WHERE RISK OVER TIME
(T) < AVERAGE OF ALL FUNDS IN
DATABASE#3 WHERE TIME(T) =
"USER DEFINED" AND RISK =
"USER DEFINED". STORE SELECTED
FUNDS IN NEW DATABASE NAMED:
DATABASE #5

SEARCH DATABASE #3; SELECT THOSE
FUNDS WHERE RETURN OVER TIME (T) >
AVERAGE OF ALL FUNDS IN DATABASE #3
WHERE TIME (T) = "USER DEFINED" AND
STORE IN NEW DATABASE NAMED:
"DATABASE #4"

Figure I continued

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12

COMBINE DATABASE "4" AND DATABASE "5" INTO NEW
DATABASE NAMED: "INDEX"

— FIGURE
1G

CREATE CONSTANT "NUMBER"; "NUMBER"= "USER
DEFINED" TOTAL NUMBER OF OPEN END MUTUAL FUNDS
TO BE INCLUDED WITHIN THE DATABASE "INDEX"

— FIGURE
1H

CREATE CONSTANT NAMED "CALCULATION" WHERE
"CALCULATION" = "USER DEFINED" CHOICE OF
<EQUALLY PRICE WEIGHTED>, <CAPITALIZATION
WEIGHTED>, <GEOMETRICALLY WEIGHTED>, OR
<CUSTOM WEIGHTED>

— FIGURE
1I

CREATE FORMULA: "OPTIMAL RISK/RETURN (T)"
WHERE "OPTIMAL RISK/RETURN (T)" = "TOTAL
RISK/RETURN(T)"-"TOTAL RISK/RETURN (T-1)"
IF "TOTAL RISK/RETURN(T)" < "TOTAL
RISK/RETURN T-1" THEN REPEAT UNTIL
"TOTAL RISK/RETURN" YIELDS A GROUP OF
FUNDS WHERE NUMBER = "NUMBER"AND NO OTHER
COMBINATION OF FUNDS YIELDS A LOWER
RISK/RETURN RATIO OVER TIME (T) AND NAME
"FINAL INDEX"

— FIGURE
1J

CREATE FORMULA "TOTAL RISK/RETURN" WHERE
"TOTAL RISK RETURN" = SUM (TOTAL RISK FOR
ALL FUNDS IN INDEX/TOTAL RETURN FOR ALL
FUNDS IN INDEX)" FOR TIME PERIOD (T)

— FIGURE
1K

PRINT OUT A CHART OF "FINAL INDEX" FOR
TIME (T). RETURN TO FIGURE 1A TO REPEAT

— FIGURE
1L

FIGURE 2

PROCESS FOR INTRA-DAY TRADING OF SECURITIZED
OPEN END MUTUAL FUND,
INDEX AND LINKED DERIVATIVE SECURITIES

Figure 2D

NATIONAL SECURITIES EXCHANGE CLEARING CORPORATION ALL TRADES ARE CLEARED ELECTRONICALLY AND RELAYED TO EXCHANGE FOR DISSEMINATION TO END USERS

-Figure 2e

COMPUTER DETERMINES OVERALL POSITIONS

-Figure 2F

EXCHANGE COMPUTER CALCULATES OPTION VALUE BASED UPON LINK WITH MUTUAL FUNDS. (SHARE PRICES ARE QUOTED BY EACH SECOND); THEN OPTION VALUE DETERMINED AUTOMATICALLY

NATIONAL SECURITIES EXCHANGE

COMPUTER LINK WITH MUTUAL FUNDS TRACKING TRADED PRICES SECOND BY SECOND

Figure 2c

BROKER/DEALERS & INSTITUTIONAL INVESTORS — Box 4

MARKET MAKERS — Box 5

BROKERAGE FIRMS — Box 6

PUBLIC INVESTORS — Box 7

MUTUAL FUND COMPANY CLOSED END FUND OF FUNDS

Accounting and Reporting System

-Figure 2a

OPEN END MUTUAL FUND(s)

Figure 2b

STOCK SECURITIES — Box 1

BONDS & MONEY MARKET INSTRUMENTS — Box 2

HYBRID SECURITIES — Box 3